

WORKSHEET B

DS3X12 CHANNEL TERMINATION INVESTMENT

	A	B	C	D	E	F
	INSTALLED EQUIP INV	EQUIP UTIL	UNITS	DS3x12 INV (A/B)xC	POWER&COMMON LOADING	FULLY LOADED INV
CENTRAL OFFICE CIRCUIT EQUIPMENT					1.10	
CO FIBER OPTIC TERMINAL, 560MBPS	\$61,654	54%	1	\$114,174	1.10	\$125,591
DCS DS3 TERM PER PORT	\$2,700	91%	12	\$35,604	1.10	\$39,165
FIBER TERMINATION PANEL	\$750	79%	1	\$955	1.10	\$1,051
REMOTE FIBER OPTIC TERMINAL, 560MBPS	\$61,654	54%	1	\$114,174	N/A	\$114,174
PREMISES EQUIP ENCLOSURE	\$6,000	42%	1	\$14,286	N/A	\$14,286
BATTERY POWER PANEL	\$5,000	42%	1	\$11,905	N/A	\$11,905
FIBER TERMINATION PANEL	\$750	54%	1	\$1,389	N/A	\$1,389
DSX3 TERMINATIONS	\$616	54%	12	\$13,689	N/A	\$13,689
INVESTMENT TOTAL						\$321,249

SEE WORKSHEET C FOR EQUIPMENT UTILIZATION

WORKSHEET C

Average Utilization Calculation

Channel Termination Central Office Equipment

	A	B	C	D	E
	Fiber Optic	Premises	Cust Prem	Fiber Term	Digital Cross
	Terminal Eq.	Battery Eq	DSX3, Fiber	Panel, CO	Connect, CO
Term Panel					
Year					
1	100%	100%	100%	79%	91%
2	100%	100%	100%	79%	91%
3	100%	100%	100%	79%	91%
4	100%	100%	100%	79%	91%
5	100%	100%	100%	79%	91%
6	50%	0%	50%	79%	91%
7	100%	0%	100%	79%	91%
8	0%	0%	0%	79%	91%
9	0%	0%	0%	79%	91%
10	0%	0%	0%	79%	91%
11	0%	0%	0%	79%	91%
12	0%	0%	0%	79%	91%

Average,
(Yrs 1-12)

54%	42%	54%	79%	91%
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Assumptions

Loop Fiber Optic Terminal redeployed years 6.5 and 7, assumed replacement in year 8 with SONENT equipment.

DCS, CO Fiber Term Panel from Pacific Bell actuals.

WORKSHEET D

MILEAGE FIXED INVESTMENT

	A	B	C	D	E	F
	INSTALLED EQUIP INV	EQUIP UTIL	UTIL INV \$ A/B	CHANNELS (DS3)	POWER&COMMON LOADING	FULLY LOADED INV C/D*E
<u>CENTRAL OFFICE CIRCUIT EQUIPMENT</u>					1.10	
CO FIBER OPTIC TERMINAL, 560MBPS	\$61,654	79%	\$78,540	12	1.10	\$7,199
DCS DS3 TERM PER PORT	\$2,700	91%	\$2,967	1	1.10	\$3,264
FIBER TERMINATION PANEL	\$750	79%	\$955	1	1.10	\$1,051
TOTAL						\$11,514
						TOTAL INVEST OFFICE TERM
						AVG NUMBER OF TERMINATIONS 3
						MI FIXED TOTAL \$34,543

	G	H	I	J
	UNIT BLDG INV	DS3 UNITS	DS3X12 INV	DS3 MI FIXED G/H*3
560 FOT	\$8,343	12	\$8,343	\$2,086
DCS DS3 TERM	\$315	1	\$3,782	\$79
FIBER TERM PANEL	\$101	12	\$101	\$25
TOTAL			\$12,226	\$2,190

	L	M	N	P
	UNIT LAND INV	DS3 UNITS	DS3X12 INV	DS3 MI FIXED L/M*3
560 FOT	\$715	12	\$715	\$179
DCS DS3 TERM	\$27	1	\$324	\$7
FIBER TERM PANEL	\$9	12	\$9	\$2
TOTAL			\$1,047	\$188

WORKSHEET E

INTEROFFICE FIBER INVESTMENT

A	B	C	D	E	F
\$ PER FOOT (STRAND)	\$ CHANNEL A*4	\$ MILE B*5280	\$ AIR MILE C* 1.49	FIBER UTIL.	DS3 CHANNELS
\$0.17	\$0.68	\$3,590	\$5,350	0.68	12

G	H	J
DS3 CHAN UTIL.*	FIBER INV. PER DS3 MI. D/E/F/G	CONDUIT LOADING H*.227
0.46	\$1,425	\$324

SOURCES

- A: 1991 VINTAGE RETIREMENT UNIT COSTS
- B: TRANSMIT AND RECEIVE (2 STRANDS) WITH 1X1 PROTECTION
- C: 1 MILE = 5280 FT
- D: ROUTE TO AIR MILE RATIO FROM FACILITY SYSTEM REPORTS
- E: AVERAGE INTEROFFICE FIBER UTILIZATION
- F: 12 DS3 PER FIBER OPTIC TERMINAL
- G: DS3 CHANNEL UTILIZATION FROM PACIFIC BELL ACTUALS*

WORKSHEET F**DS3X12 INSTALLATION**

WORK GROUP	WAGE SCHEDULE	JFC*	WORK DESCRIPTION	ACTIVITY TIME (MIN.)	LABOR RATE	ACTIVITY COST
ICSC SVC REP	WS10	2303	REVIEW ASR	8	\$1.25	\$10.00
			FINISH ORDER	9	\$1.25	\$11.25
			PRODUCT DESCRIPTION	21	\$1.25	\$26.25
FMAC AUGMENT	WS12	4732	ADMINISTRATIVE SUPPORT	15	\$1.05	\$15.75
FMAC C.O.	WS12	4732	DS3 CKT TEST X 12	1080	\$1.05	\$1,134.00
ENG ASSOC.	WS3	3304	CKT. RECORDS	180	\$1.35	\$243.00
MAINT. ENGR.			TERMINAL TEST	960	\$1.75	\$1,675.36
EXPENSED PLANT			LATERAL CONDUIT			\$485
			LATERAL FIBER			\$1,369
TOTAL INSTALLATION						\$4,970

DISCONNECT DS3X12

ICSC SVC REP	WS10	2303	REVIEW ASR	8	\$1.25	\$10.00
			FINISH ORDER	9	\$1.25	\$11.25
FMAC AUGMENT	WS12	4732	ADMINISTRATIVE SUPPORT	15	\$1.05	\$15.75
FMAC C.O.	WS12	4732	REMOVE EQUIPMENT	300	\$1.05	\$315.00
ENG ASSOC.	WS3	3304	CKT. RECORDS	180	\$1.35	\$243.00
TOTAL DISCONNECT						\$595.00

JOB FUNCTION CODE*WORK GROUP DESCRIPTION**

INTERSTATE CARRIER SERVICE CENTER (ICSC): This group receives and processes orders from carriers.

FACILITIES MAINTENANCE ADMINISTRATION CENTER (FMAC): This group maintains and provisions DS1 and DS3 facilities

ENGINEERING (ENG): This group designs interoffice facilities and maintains records

WORKSHEET G

NET SALVAGE CALCULATION

EQUIPMENT	A Unit Inv.	B Book Depreciable Life (Yrs)	C Asset Life	D Net Salvg Factor	E Net Salvage Value (A*D)
1 DS3X12 FIBER OPTIC TERMINAL	\$61,654	12	6.5	10	\$617
2 DCS DS3 TERM PER PORT	\$2,700	12	12	10	\$27
3 FIBER TERMINATION PANEL	\$750	12	12	10	\$8
4 DSX3 TERMINATIONS	\$616	12	6.5	10	\$6
5 REMOTE FIBER OPTIC TERMINAL	\$61,654	12	6.5	10	\$617
6 PREMISES EQUIP ENCLOSURE	\$5,000	12	5	10	\$50
7 BATTERY POWER PANEL	\$5,000	12	5	10	\$50
8 INTEROFFICE FIBER PER DS3 MI	\$1,429	30	30	-40	(\$57)
9 CONDUIT PER DS3 MI	\$324	30	30	-180	(\$58)
10 EXCH FIBER PER DS3X12 MI	\$18,098	30	30	-80	(\$1,448)
11 CONDUIT PER DS3X12 MI	\$4,102	59	59	-180	(\$738)

All equipment was depreciated based on asset life. See Worksheet C for utilization calculation.

IV. DIRECT COSTS, Capital Costs

Capital costs are comprised of depreciation, cost of money and income taxes. These cost were identified by applying standard factors to gross investment in the following manner:

FCC depreciation rates are applied to gross current investment, by investment account to identify annual depreciation expense.

FCC factors for the cost of money and corresponding State and Federal income taxes are applied by account, to identify both annual cost of money and annual income taxes. These factors have been adjusted to include net investment and are therefore applied to gross investment.

The application of capital cost factors to all investment accounts for a DS3X12 channel termination is shown beginning on page 15. The application of capital cost factors to DS3 Interoffice Mileage investment accounts is shown beginning on page 18. The totals for cost of money, taxes and depreciation are shown on lines 2, 3 and 4 respectively on page 13, DS3X12 Cost Summary, and DS3 Mileage Cost Summary on page 14.

V. DIRECT COSTS, Non-Capital Costs

Maintenance cost factors are developed based on the actual relationship between annual maintenance expense by account and gross book investment. The factor is applied to gross book investment to identify the annual maintenance expense. Maintenance expenses include recurring repair and maintenance activities booked to Plant Operations Expense, Network Operations Expenses and Plant Expenses -Other.

An administration factor is applied to equivalent gross book investment to identify annual administrative expenses (the factor is an actual relationship with between annual administrative expenses and gross book investment). The administration factor accounts for Customer Operations Expenses, Operating Taxes and Other General Expenses. Costs associated with Corporate Operations are considered overhead and therefore are not included in Direct Costs.

The Maintenance, Administration and Overhead factors and expenses are displayed for each investment account beginning on page 15. The cost totals for Maintenance, Administration and Overhead are shown at lines 5, 6 and 8 on page 13, DS3X12 Cost Summary, page 14 for DS3 Mileage Cost Summary. The total Direct Costs are also shown on these pages at line 12.

COST SUMMARY, PER CHANNEL TERMINATION

		DS3x12 CHANNEL TERMINATION	
1	<u>Gross Investment</u>	\$378,923	See Investment
<u>Annual Cost</u>			
2	Cost of Money	\$23,542	See Direct Costs, Capital
3	State & Fed Taxes	\$9,315	See Direct Costs, Capital
4	Depreciation	\$29,434	See Direct Costs, Capital
5	Repair and Maintenance	\$5,118	See Direct Costs
6	Administration	\$20,696	See Direct Costs
7	Subtotal of Expenses	\$88,106	Sum(Ln 2...Ln6)
8	Overhead	\$9,013	
9	Total Annual Cost	\$97,119	Ln 7 + Ln 8
10	Monthly Cost	\$8,093	Ln 9/12
11	Direct Investment	\$378,923	Line 1
12	Direct Cost	\$88,106	Line 7
13	Monthly Rate	\$9,982	Pacific Bell FCC 128 Tariff
14	Direct Cost/ Direct Investment	23.25%	Line 12/Line 11
15	Price/ Direct Cost	135.96%	Line 13/ (Line 12/12)

SOURCE, Lines 1-7, DS3x12 CHANNEL TERMINATION

Line 1: Pg 15 Ln 10 Total + Pg 16 Ln 10 Total + Pg 17 Ln 10 Total
 Line 2: Pg 15 Ln 11 Total + Pg 16 Ln 11 Total + Pg 17 Ln 12 Total
 Line 3: Pg 15 Ln 12 Total + Pg 16 Ln 12 Total + Pg 17 Ln 13 Total
 Line 4: Pg 15 Ln 13 Total + Pg 16 Ln 13 Total + Pg 17 Ln 14 Total
 Line 5: Pg 15 Ln 14 Total + Pg 16 Ln 14 Total + Pg 17 Ln 15 Total
 Line 6: Pg 15 Ln 15 Total + Pg 16 Ln 15 Total + Pg 17 Ln 16 Total
 Line 8: Pg 15 Ln 17 Total + Pg 16 Ln 17 Total + Pg 17 Ln 18 Total

COST SUMMARY, DS3 INTEROFFICE MILEAGE

	PER DS3 MILE	MILEAGE FIXED	
1 Gross Investment	\$1,748	\$36,921	See Investment
<u>Annual Cost</u>			
2 Cost of Money	\$122	\$2,281	See Direct Costs, Capital
3 State & Fed Taxes	\$48	\$903	See Direct Costs, Capital
4 Depreciation	\$70	\$3,000	See Direct Costs, Capital
5 Repair and Maintenance	\$8	\$551	See Direct Costs
6 Administration	\$115	\$1,973	See Direct Costs
7 Subtotal of Expenses	\$363	\$8,708	Sum(Ln 2...Ln6)
8 Overhead	\$50	\$859	See Direct Costs
9 Total Annual Cost	\$413	\$9,567	Ln 7 + Ln 8
10 Monthly Cost	\$34	\$797	Ln 9/12
11 Direct Investment	\$1,748	\$36,921	Line 1
12 Direct Cost	\$363	\$8,708	Line 7
13 Monthly Rate	\$43.70	\$833.14	Pacific Bell FCC 128 Tariff
14 Direct Cost/ Direct Investment	20.76%	23.59%	Line 12/Line 11
15 Price/ Direct Cost	144.54%	114.81%	Line 13/ (Line 12/12)

SOURCE, Lines 1-7, DS3x12 CHANNEL TERMINATION

Line 1: Pg 18 Ln 10 Total + Pg 19 Ln 10 Total + Pg 20 Ln 10 Total
Line 2: Pg 18 Ln 11 Total + Pg 19 Ln 11 Total + Pg 20 Ln 12 Total
Line 3: Pg 18 Ln 12 Total + Pg 19 Ln 12 Total + Pg 20 Ln 13 Total
Line 4: Pg 18 Ln 13 Total + Pg 19 Ln 13 Total + Pg 20 Ln 14 Total
Line 5: Pg 18 Ln 14 Total + Pg 19 Ln 14 Total + Pg 20 Ln 15 Total
Line 6: Pg 18 Ln 15 Total + Pg 19 Ln 15 Total + Pg 20 Ln 16 Total
Line 8: Pg 18 Ln 17 Total + Pg 19 Ln 17 Total + Pg 20 Ln 18 Total

NOTE: Numbers may not add due to rounding.

PER CHANNEL TERMINATION

	A	B		
Account Number	244149	242212		SOURCE, Col. A, B
Account Description	CONDUIT	FIBER		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1033	0.0957		1992 Company Study
3 St/Fed Tax as a % of RIT	0.2835	0.2835		Appendix A
4 Cost of Money	0.0740	0.0686		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0293	0.0271		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0220	0.0440		1992 Company Study
7 Repair and Maintenance	0.00113	0.0054		1992 Company Study
8 Administrative Expense Factor	0.0659	0.0659		1992 Company Study
9 Overhead	0.0287	0.0287		
			Total (A+B)	
10 Gross Investment	\$8.205	\$36.196	\$44.401	Worksheet A
Annual Cost				
11 Cost of Money	\$607	\$2,482	\$3,089	Ln 4 * Ln 10
12 State & Fed Taxes	\$240	\$982	\$1,222	Ln 5 * Ln 10
13 Depreciation	\$181	\$1,593	\$1,773	Ln 6 * Ln 10
14 Repair and Maintenance	\$9	\$195	\$205	Ln 7 * Ln 10
15 Administration	\$541	\$2,385	\$2,926	Ln 8 * Ln 10
16 Subtotal of Expenses	\$1,578	\$7,637	\$9,215	Sum (Ln 11...Ln 15)
17 Overhead	\$235	\$1,039	\$1,274	Ln 10 * Ln 9
18 Total Annual Costs	\$1,814	\$8,676	\$10,490	Ln 16 + Ln 17

PER CHANNEL TERMINATION

	A	B		
Account Number	211100	212100		SOURCE, Col. A, B
Account Description	LAND	BUILDING		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1614	0.1165		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%		Appendix A
4 Cost of Money	0.1156	0.0835		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0458	0.0330		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0000	0.0290		1992 Company Study
7 Repair and Maintenance	0.0000	0.0261		1992 Company Study
8 Administration	0.0659	0.0659		1992 Company Study
9 Overhead	0.0287	0.0287		1992 Company Study
			Total (A+B)	
10 Gross Investment	\$1,047	\$12,226	\$13,273	Worksheet D
Annual Cost				
11 Cost of Money	\$121	\$1,021	\$1,142	Ln 4 * Ln 10
12 State & Fed Taxes	\$48	\$404	\$452	Ln 5 * Ln 10
13 Depreciation	\$0	\$355	\$355	Ln 6 * Ln 10
14 Repair and Maintenance	\$0	\$319	\$319	Ln 7 * Ln 10
15 Administration	\$69	\$806	\$875	Ln 8 * Ln 10
16 Subtotal of Expenses	\$238	\$2,904	\$3,142	Sum (Ln 11...Ln 15)
17 Overhead	\$30	\$351	\$381	Ln 9 * Ln 10
18 Total Annual Costs	\$268	\$3,255	\$3,523	Ln 16 + Ln 17

MILEAGE VARIABLE, PER DS3 CHANNEL

	A	B		
Account Number	211100	212100		SOURCE, Col. A, B
Account Description	LAND	BUILDING		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1614	0.1165		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%	28.35%		Appendix A
4 Cost of Money	0.1156	0.0835		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0158	0.0330		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0000	0.0290		1992 Company Study
7 Repair and Maintenance	0.0000	0.0261		1992 Company Study
8 Administration	0.0659	0.0659		1992 Company Study
9 Overhead	0.0287	0.0287		1992 Company Study
			Total (A+B)	
10 Gross Investment	\$188	\$2,190	\$2,378	Worksheet D
Annual Cost				
11 Cost of Money	\$22	\$183	\$205	Ln 4 * Ln 10
12 State & Fed Taxes	\$9	\$72	\$81	Ln 5 * Ln 10
13 Depreciation	\$0	\$64	\$64	Ln 6 * Ln 10
14 Repair and Maintenance	\$0	\$57	\$57	Ln 7 * Ln 10
15 Administration	\$12	\$144	\$157	Ln 8 * Ln 10
16 Subtotal of Expenses	\$43	\$520	\$563	Sum (Ln 11...Ln 15)
17 Overhead	\$5	\$63	\$68	Ln 9 * Ln 10
18 Total Annual Costs	\$48	\$583	\$631	Ln 16 + Ln 17

PER CHANNEL TERMINATION

A

Account Number	223210	SOURCE, Col. A, B	
Account Description	DIGITAL EQ		
Cost Factors			
1 Net Plant	1.0000		Accounted for in RIT
2 FCC RIT	0.0839		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%		Appendix A
4 Cost of Money	0.0601		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0238		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0850		1992 Company Study
7 Repair and Maintenance	0.0143		1992 Company Study
8 Administration	0.0659		1992 Company Study
9 Overhead	0.0287		
		Total	
10 Gross Current Investment	\$321,249	\$321,249	Worksheet B
11 Equivalent Gross Book Investment	\$256,384		Line 10/ cc/bc ratio
Annual Cost			
12 Cost of Money	\$19,312	\$19,312	Ln 4 * Ln 10
13 State & Fed Taxes	\$7,641	\$7,641	Ln 5 * Ln 10
14 Depreciation	\$27,306	\$27,306	Ln 6 * Ln 10
15 Repair and Maintenance	\$4,594	\$4,594	Ln 7 * Ln 11
16 Administration	\$16,896	\$16,896	Ln 8 * Ln 11
17 Subtotal of Expenses	\$75,749	\$75,749	Sum (Ln 12...Ln 16)
18 Overhead	\$7,358	\$7,358	Ln 9 * Ln 11
19 Total Annual Costs	\$83,107	\$83,107	Ln 17 + Ln 18

MILEAGE VARIABLE, PER DS3 MILE

	A	B		
Account Number	244149	242212		SOURCE, Col. A, B
Account Description	CONDUIT	FIBER		
Cost Factors				
1 Net Plant	1.0000	1.0000		Accounted for in RIT
2 FCC RIT	0.1033	0.0957		1992 Company Study
3 St/Fed Tax as a % of RIT	0.2835	0.2835		Appendix A
4 Cost of Money	0.0740	0.0686		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0293	0.0271		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0220	0.0440		1992 Company Study
7 Repair and Maintenance	0.00113	0.0054		1992 Company Study
8 Administrative Expense Factor	0.0659	0.0659		1992 Company Study
9 Overhead	0.0287	0.0287		
			Total (A+B)	
10 Gross Investment	\$323	\$1,425	\$1,748	Worksheet E
Annual Cost				
11 Cost of Money	\$24	\$98	\$122	Ln 4 * Ln 10
12 State & Fed Taxes	\$9	\$39	\$48	Ln 5 * Ln 10
13 Depreciation	\$7	\$63	\$70	Ln 6 * Ln 10
14 Repair and Maintenance	\$0	\$8	\$8	Ln 7 * Ln 10
15 Administration	\$21	\$94	\$115	Ln 8 * Ln 10
16 Subtotal of Expenses	\$62	\$301	\$363	Sum (Ln 11...Ln 15)
17 Overhead	\$9	\$41	\$50	Ln 10 * Ln 9
18 Total Annual Costs	\$71	\$342	\$413	Ln 16 + Ln 17

MILEAGE VARIABLE, PER DS3 CHANNEL

A

Account Number	223210	SOURCE, Col. A, B	
Account Description	DIGITAL EQ		
Cost Factors			
1 Net Plant	1.0000		Accounted for in RIT
2 FCC RIT	0.0839		1992 Company Study
3 St/Fed Tax as a % of RIT	28.35%		Appendix A
4 Cost of Money	0.0601		Ln 1 * Ln 2 * (1 - Ln 3)
5 State & Fed Taxes	0.0238		Ln 1 * Ln 2 * Ln 3
6 Depreciation	0.0850		1992 Company Study
7 Repair and Maintenance	0.0143		1992 Company Study
8 Administration	0.0659		1992 Company Study
9 Overhead	0.0287		
		Total	
10 Gross Current Investment	\$34,543	\$34,543	Worksheet D
11 Equivalent Gross Book Investment	\$27,568		Line 10/ cc/bc ratio
Annual Cost			
12 Cost of Money	\$2,077	\$2,077	Ln 4 * Ln 10
13 State & Fed Taxes	\$822	\$822	Ln 5 * Ln 10
14 Depreciation	\$2,936	\$2,936	Ln 6 * Ln 10
15 Repair and Maintenance	\$494	\$494	Ln 7 * Ln 11
16 Administration	\$1,817	\$1,817	Ln 8 * Ln 11
17 Subtotal of Expenses	\$8,145	\$8,145	Sum (Ln 12...Ln 16)
18 Overhead	\$791	\$791	Ln 9 * Ln 11
19 Total Annual Costs	\$8,936	\$8,936	Ln 17 + Ln 18

VI. REVENUES

The CABS recurring rate element information are as follows for DS3X12:

Rate Element	Demand	Rate	Annual Revenue
Recurring, Z23AE	1	\$9,982	\$119,784
			Term Revenue
			\$598,920
Nonrecurring, Z23AE	1	\$17,750	

This circuit has no channel mileage

VII. RECONCILIATION

The attached Reconciliation Worksheet calculates the net revenue by year for a DS3X12 channel termination over the 5 year term. The net present value shown on line 8 is \$127,485. The discount rate applied to the NPV calculation is 11.25%, Pacific Bell's authorized rate of return under Price Cap regulation. The positive net present value demonstrates that the DS3X12 service is profitable and is making a substantial contribution

There is no term discount for DS3 interoffice mileage. The relationship between revenues and costs will be the remain same over time. This is shown in the DS3 Interoffice Mileage Cost Summary on page 14. The relationship of Price / Direct Cost is 144% for the Per Mile component, and 115% for the Mileage Fixed component. In both cases the price exceeds the direct cost by a substantial margin.

RECONCILIATION WORKSHEET, DS3X12 CHANNEL TERMINATION

CASH FLOW ANALYSIS BY YEAR

	YR.1	YR.2	YR.3	YR.4	YR.5
REVENUE					
1 Recurring	\$119,784	\$119,784	\$119,784	\$119,784	\$119,784
2 Nonrecurring	\$17,750	\$0	\$0	\$0	\$0
3 Total Revenue (Sum Ln 1+2)	\$137,534	\$119,784	\$119,784	\$119,784	\$119,784
COSTS					
4 Recurring	\$88,106	\$88,106	\$88,106	\$88,106	\$88,106
5 Nonrecurring	\$4,970	\$0	\$0	\$0	\$595
6 Total Cost (Sum Ln 4+5)	\$93,076	\$88,106	\$88,106	\$88,106	\$88,701
7 NET REVENUE (Ln 3 - Ln 6)	\$44,458	\$31,678	\$31,678	\$31,678	\$31,083
8 NET PRESENT VALUE LN 7	\$127,485				
9 DISCOUNT RATE	11.25%				

SOURCES

Monthly Recurring Revenue (DS3X12 Tariffed Rate*12)	\$119,784
Nonrecurring Revenue (DS3X12 Tariffed Charge)	\$17,750
Recurring Costs (DS3X12 Cost Summary, pg 13)	\$88,755
Nonrecurring Costs (Worksheet F), Installation	\$4,970
Nonrecurring Costs (Worksheet F), Disconnect	\$595

VIII. OTHER

The cost identified in this analysis are slightly different than that which was previously provided. Pacific Bell chose to be consistent with the more recently submitted collocation financial analysis. Costs are identified and displayed in the same manner as those presented for the Expanded Interconnection Service associated with collocation.

PACIFIC BELL

APPENDIX A

FCC AUTHORIZED COST OF MONEY

	PROPORTION	COST	WTD COST
DEBT	44.20%	8.80%	3.89%
EQUITY	55.80%	13.20%	<u>7.36%</u>
			11.25%

TAX COMPONENT OF RIT

RATE OF RETURN (A)	0.1125
DEBT RATIO (B)	0.4420
COST OF DEBT (C)	0.0880
COST OF CAPITAL (D)	0.1320
FEDERAL AND STATE TAX RATE (E)	0.4330

Federal Tax Rate = .34, State Tax Rate = .930, Combined Tax Rate =

The fraction of RIT that is taxes = $E * ((1-B) * D/A) = 0.2835$